© 05hr_ab0125_AC-Ag_pt01

Details:

(FORM UPDATED: 07/12/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2005-06

(session year)

Assembly

(Assembly, Senate or Joint

Committee on ... Agriculture (AC-Ag)

COMMITTEE NOTICES ...

- Committee Reports ... CR
- Executive Sessions ... ES
- Public Hearings ... PH
- Record of Comm. Proceedings ... RCP

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... Appt
- Clearinghouse Rules ... CRule
- Hearing Records ... bills and resolutions
 - (ab = Assembly Bill) (sb = Senate Bill)

(ar = Assembly Resolution)

(**sr** = Senate Resolution)

n) É

(ajr = Assembly Joint Resolution) (sjr = Senate Joint Resolution)

Miscellaneous ... Misc

Vote Record Committee on Agriculture

Date: 3/3/05		•			
Moved by: Nerison		oy: <u>Cror</u>	emu	<u>S</u>	
AB 135 SB		Clearinghouse Rule			
AJRSJ			ent	contents of the	
AR SR		Other			
A/S Amdt					
A/S Amdt	_ to A/S Amdt		********		
A/S Sub Amdt					
A/S Amdt	_ to A/S Sub Amdt				
A/S Amdt	to A/S Amdt		to A/S Sub Amdt		
Be recommended for: Passage		□ Concurren □ Nonconcu		☐ Indefinite P	ostponement
Committee Member		<u>Aye</u>	<u>No</u>	<u>Absent</u>	Not Voting
Representative Alvin Ott, Chair		\Box			
Representative Lee Nerison		Ø			
Representative John Ainsworth		\bowtie			
Representative Jerry Petrowski		\boxtimes			
Representative J.A. Hin	es	X			
Representative Scott Suder		abla			
Representative Mary Williams		\boxtimes			
Representative Gabe Loeffelholz		\boxtimes			
Representative Debra Towns		\boxtimes			
Representative Barbara Gronemus		\boxtimes			
Representative Amy Sue Vruwink		$ \boxtimes$			
Representative Robert Ziegelbauer		\boxtimes			
Representative Christine Sinicki				\boxtimes	
Representative Louis M	olepske	\boxtimes			
Representative Joseph	Parisi	X			
	Total	s: 14		1	

Vote Record Committee on Agriculture

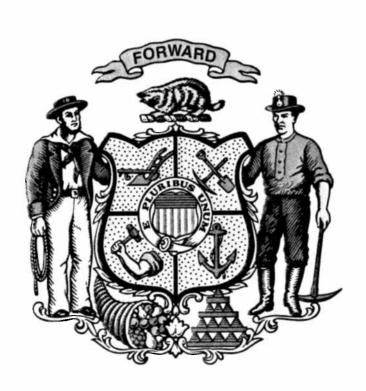
Date: 3/3/05		d - d b	(~			
Moved by: Necison	S	econded by:	_Oco	JEW1	15	
AB 125	SB		Clearingh	nouse Rul	le	
AJR	SJR					
AR	SR		Other			
As Amdt LRB- Da	416					
A/S Amdt	to A/S Am	ndt	***************************************			
A/S Sub Amdt						
A/S Amdt						
A/S Amdt	to A/S Am	ndt		to A	/S Sub Amdt _	
	tion 🗆 Confi tion 🗀 Tablir		Concurrer Nonconcu		□ Indefinite P	ostponement
Committee Member			<u>Aye</u>	<u>No</u>	<u>Absent</u>	Not Voting
Representative Alvin Ott, Chair			\boxtimes			
Representative Lee Nerison			\boxtimes			
Representative John Ainsworth			abla			
Representative Jerry Petrowski			X			
Representative J.A. Hines			X			
Representative Scott Suder			Ø			
Representative Mary Williams			X			
Representative Gabe	Loeffelholz		X			
Representative Debra Towns			X			
Representative Barbara Gronemus		ıs	\square			
Representative Amy Sue Vruwink			\boxtimes			
Representative Robert Ziegelbauer		er	X			
Representative Christine Sinicki					X	
Representative Louis Molepske			X			
Representative Jose	ph Parisi		X			
		Totals:	14			

ΙΔ	Motion	Carried
₩.	Motion	Carneo

Vote Record Committee on Agriculture

Date: 3/3/05		0			
Moved by: O++	Seconded I	oy: Oron	emu	<u></u>	
AB 125 SB		Clearingho	use Rul	e	
		Appointme	nt		
ARSR_		Other			
AS Amdt LRB - CAYU	Q				
A/S Amdt	to A/S Amdt		-		
A/S Sub Amdt					
A/S Amdt	to A/S Sub Amdt				
A/S Amdt	to A/S Amdt		_ to A	/S Sub Amdt	· · · · · · · · · · · · · · · · · · ·
Be recommended for: Passage Adoption Introduction Rejection	☐ Confirmation☐ Tabling	□ Concurrence □ Nonconcurrence		□ Indefinite Po	ostponement
Committee Member		<u>Aye</u>	<u>No</u>	<u>Absent</u>	Not Voting
Representative Alvin Ott, Chair		oxdar			
Representative Lee Nerison		\boxtimes			
Representative John Ain	sworth	\boxtimes			
Representative Jerry Petrowski		\boxtimes			
Representative J.A. Hine	es	\boxtimes			
Representative Scott Suder		\boxtimes			
Representative Mary Williams		\boxtimes			
Representative Gabe Loeffelholz		\boxtimes			
Representative Debra Towns		\boxtimes			
Representative Barbara Gronemus		\square			
Representative Amy Sue Vruwink		X			
Representative Robert Ziegelbauer		\boxtimes			
Representative Christine Sinicki				\boxtimes	
Representative Louis Molepske		\square			
Representative Joseph P	arisi	X			
	Totals	s: 1 <u>4</u>			

يد		
M	Motion	Carried
77	141011011	Carrica





Wisconsin Federation of Cooperatives

131 West Wilson Street, Suite 400 • Madison, WI 53703-3269 Phone 608.258.4400 • Fax 608.258.4407 • www.wfcmac.coop

TESTIMONY OF BILL OEMICHEN IN SUPPORT OF AB 125 AND AB 145 BEFORE ASSEMBLY COMMITTEE ON AGRICULTURE MARCH 3, 20005

Thank you for allowing the Wisconsin Federation of Cooperatives to testify in support of both Assembly Bill 125 and Assembly Bill 145.

Assembly Bill 125. Assembly Bill 125 simply reflects legislative intent of 2003 Wisconsin Act 135, which created the dairy investment tax credit (DITC) for certain expenses related to modernization of dairy facilities and equipment. As the organization that focused on the creation of the DITC as one of our top legislative agenda items in 2003-2004, WFC worked closely with this committee, DATCP, DOR, other organizations and individuals as we urged support for then Assembly Bill 283. After our successful effort, DOR raised questions it felt needed additional clarification. Chairman Ott, we and others worked with DOR to advance language in administrative rule Tax 2.99 that was aimed at addressing the questions that DOR was raising. Now AB 125 is before you to place in law the guidelines already written into rule. The bill clarifies that the DITC applies to property and equipment that is acquired and placed in service in this state during taxable years that began January 1, 2004 and end December 31, 2009. In addition, AB 125 states that "used exclusively" means used to the exclusion to all other uses except for other use not exceeding 5 percent of total use. This is the same language that DOR uses in its sales and use tax law.

Assembly Bill 145. We also support Assembly Bill 145 as the logical next step from the creation last session of the dairy investment tax credit (DITC). While no comprehensive data will be available for awhile on the level of "participation" in the DITC, I know that many of our members and others are taking advantage of it, some to the full measure allowed in the law. We are optimistic that the DITC will help strengthen our dairy industry through modernization of many dairy producers' facilities and equipment, thereby bringing more efficiency to these operations and a greater chance that they will be a part of Wisconsin's dairying future.

One example of the benefit the DITC is bringing to the state can be seen in the following example of a modernizing dairy operation in South Central Wisconsin. This operation has made \$420,000 in improvements by, in part, modernizing three existing farm buildings that will allow for the addition of 125 cows. The new buildings are adding to the farm's property value and property taxes. The producer expects the improvements will generate approximately \$3,000 in additional new property taxes per year. Furthermore, \$5,500 in sales taxes have been paid on the building materials. Finally, the producer has added at least \$100,000 in payroll for the first year for three new employees. This payroll increase is anticipated to yield \$6,750 in new state income taxes. The total increase in taxes in year one is approximately \$15,250 and, the producer is only planning to take a \$5,000 tax credit this year. Furthermore, nearly \$10,000 is being generated in additional annual tax payments. All told, the DITC is generating the increased investment that will more than offset the amount of the credit; the state treasury and the people of Wisconsin are surely benefiting from the DITC.

A second example yields similar positive financial results. A second Southern Wisconsin Dane County farm added a new Boumatic Double 13 milking parlor from a flat barn parlor. This change is projected to lead to an increase in annual milk sales of \$73,000 and a possible additional \$90,000, the latter amount if they go to three times per day milking. The total improvements cost \$620,000 and the resulting increase in property and income taxes, as well as sales taxes, are anticipated to more than offset the amount of tax credit taken. Beyond the financial impact, the DITC has led to use of modern technology and improved management, thereby making our state more competitive. Here too, the new investment is leading to increase sales and property taxes.

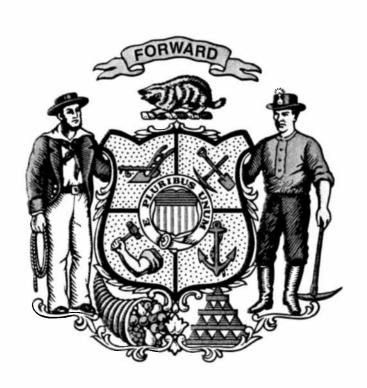
Cows do not qualify for the credit. However, I will note that the University of Wisconsin-Madison estimates that each new cow generates approximately \$515 in new state and local taxes per year, as well as \$15,000 to \$17,000 to the state's level of economic activity. In the first example I used, the 125 new cows would yield an estimated \$63,375 in new state and local taxes, as well as \$1,875,000 in local economic impact. Said another way, for every dollar a dairy producer generates, the dairy producers creates \$6 of input into the local economy.

Recently the Grow Wisconsin Livestock Initiative Panel endorsed the expansion of the DITC to livestock producers and fish farmers. Two WFC members, Equity Cooperative Livestock Sales Association and Badgerland Farm Credit Services, both headquartered at Baraboo, are represented on this panel. The panel contains a cross-section of Wisconsin's livestock and meat industry. The predecessor group to this panel, the DATCP "Livestock Industry Task Force," made a specific recommendation in this policy area when they issued their final report in January of 2004. They indicated their support for an ITC on "capital expenses for sow farrowing/feeder pig operations and cattle back-grounding, stocking and finishing operations."

Among the major challenges identified in the 2004 DATCP task force report is that "there has been limited reinvestment in livestock operations at the producer level in Wisconsin." Yet 2003 Wisconsin Agricultural Statistic Service data is that sales of cattle and calves accounted for 14 percent of all farm cash receipts, at \$745 million. Sale of hogs added \$93 million to the total. Growth has occurred in beef operations from 1992 to 2002, largely due to conversion from dairy to beef among some farming operations. The number of cattle on feed demonstrated "modest growth" between 1980 and 2002. The majority of fed cattle are on feedlots with an average yearly marketing of 38 head and the number of feedlots has declined from 1997 to 2002, according to USDA, National Agricultural Statistics Service (NASS) numbers. The same source pointed to two decades of steep decline in the number of swine operations and inventory between 1980 and 2002.

The 2002 DATCP task force report pointed to numerous advantages Wisconsin offers for livestock production such as our livestock genetics, feed production and proximity to consumer markets. By the addition of an investment tax credit such as proposed in AB 145, we will help ensure that our animal agriculture remains diverse and grows stronger as we provide producers another reason to modernize their facilities and improve their competitiveness with other regions.

Thank you for your attention to my remarks on behalf of the Wisconsin Federation of Cooperatives in support of AB 125 and 145.





Al Ott

State Representative • 3rd Assembly District

AB 125 Technical Modifications Dairy Investment Tax Credit Assembly Committee on Agriculture March 3, 2005

Thank you for the opportunity to testify on Assembly Bill 125 – making technical modification to the Dairy Investment Tax Credit.

As you know, 2003-04 was a tremendously successful session for Wisconsin agriculture. One of our most notable accomplishments was the creation of the Dairy Investment Tax Credit, which encourages economic development by providing a modest tax incentive for dairy producers who modernize their operations.

In turn, we expect these operations will become more profitable and produce the volume of milk Wisconsin needs to maintain its processing infrastructure. As you will hear later, our expectations for the success of this credit in growing our dairy industry has prompted the Legislature to move forward a similar initiative for the state's livestock industry.

AB 125 makes minor technical changes to current law in order to avoid potential confusion and complications for dairy producers who apply for the Dairy Investment Tax Credit. The bill has been drafted at the request of – and with assistance from – the Department of Revenue as they have worked to implement the credit.

AB 125 clarifies that the credit applies only to property and equipment acquired and placed in service in this state during the taxable years specified under current law. Further, the bill statutorily defines the term "used exclusively."

Current law states that the credit is available for 10% of the, "amount the claimant paid in the taxable year," which would mean that the producer could only claim credits for amounts actually paid in the taxable year.

For example, if a piece of equipment was purchased this year and financed for a period of 20 years, the producer could only claim the credit on the amount due in the credit's eligible taxable year. Likewise, under a strict interpretation of the law, payments for a purchase 5 years ago – being paid via a long term loan – would be eligible for the credit this year. This would defeat the purpose of providing this credit as an incentive to improve and modernize these operations.

Therefore, AB 125 clarifies the phrase, "amount the claimant paid in the taxable year," to mean the purchase price of property/equipment acquired and placed in service in the taxable year the claim is being made.

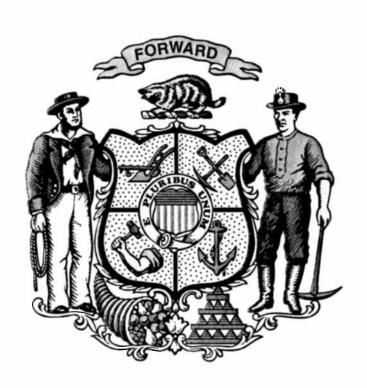
AB 125 also specifies that the credit applies only to facilities and equipment in Wisconsin.

Finally, the bill defines the term, "used exclusively" to mean the facility or equipment purchased is used relative to the dairy operation at least 95% of the time. This is the same definition used under current law regarding the sales tax exemption for farming equipment.

I will, however, be offering an amendment to AB 125 – per the request of the Department of Revenue – to clarify how the credit is claimed in the case of multiple owners-operators. Essentially, the amendment specifies that the operation, in total, can claim up to \$50,000 in credit with that amount allocated to the owner-operators in proportion to their ownership interests.

In conclusion, I do want to note that the provisions of AB 125 are also incorporated in to the language of AB 145 to ensure consistency in how the credit is administered.

Thank you for your time. I would be happy to answer any questions you may have on AB 125.





State of Wisconsin • DEPARTMENT OF REVENUE

2135 RIMROCK RD. • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933 PHONE (608) 266-6466 • FAX (608) 266-5718 • http://www.dor.state.wi.us

Jim Doyle Governor Michael L. Morgan Secretary of Revenue

Assembly Agriculture Committee Hearing, March 3, 2005

AB 125 - Changes to Dairy Investment Tax Credit (Representative Ott)

Description of Current Law and Proposed Change

2003 Wisconsin Act 135 created a nonrefundable dairy investment credit for 10% of certain expenditures for modernization and expansion related to the operation of a dairy farm. The credit applies to expenses to construct, improve and acquire buildings or facilities and equipment for dairy animal housing, confinement, feeding, milk production and waste management, if used exclusively related to dairy animals. The term "used exclusively" is not defined. The credit may be claimed for taxable years that begin after December 31, 2003 and before January 1, 2010.

The bill clarifies that the dairy investment credit applies to property and equipment that are acquired and placed in service in Wisconsin during taxable years that begin after December 31, 2003, and before January 1, 2010.

The bill also provides that "used exclusively" means used to the exclusion of all other uses except for other use not exceeding 5% of total use.

Fairness/Tax Equity

• The changes to the definition of "used exclusively" allow taxpayers limited use of improvements for nondairy related activities without disqualifying them from the credit. The changes to the effective date language clarify existing treatment of the credit.

Impact on Economic Development

None

Administrative Impact/Fiscal Effect

These changes have no fiscal effect.

DOR Position

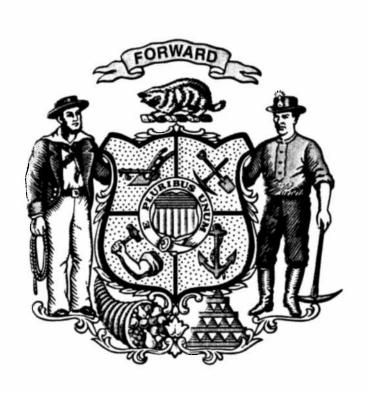
Support

Prepared by: Pam Walgren, 266-7817

March 1, 2005

PW:skr

L:\session 05-07\hearings\pw\ab125.doc



Assembly Republican Majority Bill Summary

Contact: Erin Napralla, Office of Rep. Al Ott

AB 125: Technical Changes to the Wisconsin Dairy Investment Tax Credit

Relating to: the dairy investment tax credit.

By Representaives Ott, Nerison, Towns, Davis, Suder, Gard, Hahn, Hines, Ainsworth, Freese, Musser, Nass, Townsend, McCormick, Loeffelholz, F. Lasee, Albers, Van Roy, Gronemus, M. Williams, Lothian, Petrowski, Vrakas, Gunderson, Mursau, Vruwink and Ballweg; cosponsored by Senators Kapanke, Roessler, Brown, Grothman, Kanavas, Leibham, Harsdorf, Lassa, Cowles, Hansen and Kedzie.

Date: March 16, 2005

BACKGROUND

Under current law (2003 Wisconsin Act 135), for taxable years 2004 through 2009, a person may claim a state income or franchise tax credit equal to 10 percent of the amount the person paid in the taxable year for dairy farm modernization or expansion. Dairy farm modernization or expansion is defined as the construction, the improvement, or the acquisition of buildings or facilities, or the acquisition of equipment, for dairy animal housing, confinement, animal feeding, milk production, or waste management, if used exclusively related to dairy animals. The term "used exclusively" is not defined in the statutes.

SUMMARY OF AB 125 (AS AMENDED BY COMMITTEE)

Assembly Bill 125 clarifies that the dairy investment tax credit applies only to property and equipment that is acquired and placed in service in this state during taxable years 2004 through 2009. In addition, under the bill, "used exclusively" is defined to mean property or equipment that is used relative to the dairy operation at least 95% of the time. The bill also specifies that in the case of multiple owner-operators of a dairy farm, the entity – in total – is eligible for a credit up to \$50,000. That amount is then allocated to the owner-operators in proportion to their ownership interests.

AMENDMENTS

Assembly Amendment 1 to Assembly Bill 125 clarifies how the credit is to be claimed in the case of multiple owner-operators. The amendment specifies that the operation, in total, can claim up to \$50,000 in credit, with that amount allocated to the owner-operators in proportion to the ownership interests [adopted 14-0-1 (Rep. Sinicki was absent)].

FISCAL EFFECT

A fiscal estimate prepared by the Department of Revenue indicates this bill will have no fiscal effect.

PROS

- 1. AB 125 clarifies and reinforces the legislative intent of 2003 Wisconsin Act 135, which created the Wisconsin Dairy Investment Tax Credit.
- 2. The provisions of AB 125 will help reduce the potential for confusion and complications on the part of dairy producers who make investments to modernize their operations and claim this tax credit.

- 3. Defining the phrase, "amount the claimant paid in the taxable year," to mean the purchase price of property/equipment acquired and placed in service during the eligible taxable years, will ensure claimants are not penalized for financing their purchases, nor are able to claim credits for purchases made prior to the enactment of the Dairy Investment Tax Credit.
- 4. The definition of, "used exclusively" in the bill is the same definition used under current law regarding the sales and use tax exemption for farming equipment.

CONS

None apparent.

SUPPORTERS

Rep. Al Ott, author; Sen. Dan Kapanke, lead co-sponsor; Sherrie Gates-Hendrix, Wisconsin Department of Revenue; Bill Oemichen, Wisconsin Federation of Cooperatives; Rep. Brett Davis; Sen. Jon Erpenbach; Christopher Sosnay, Wisconsin Bankers Association; Will Hughes, Wisconsin Department of Agriculture, Trade & Consumer Protection; Kathleen Vinehout, Wisconsin Farmers Union; Ferron Havens, Wisconsin Agribusiness Council.

OPPOSITION

No one registered or testified in opposition to Assembly Bill 125.

HISTORY

Assembly Bill 125 was introduced on February 22, 2005, and referred to the Assembly Committee on Agriculture. A public hearing was held on March 3, 2005. On March 3, 2005, the Committee voted 14-0-1 [Rep. Sinicki was absent] to recommend passage of AB 125 as amended.